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ABSTRACT

This report presents the findings of an investigation into the major issues and possible responses to recent changes in college student financial aid. An executive summary reports that student financial aid is of urgent concern to institutions, policymakers and the nation and that a long term dialogue on the role, impact, and importance of financial aid is called for. An opening section describes the changes that have taken place during the past 25 years, some that are cumulative, others that were triggered by the Higher Education Act Reauthorization of 1992. Part 1 describes serious challenges that arise from these changes: (1) challenges to equity, access, and diversity; (2) implications for institutions' financial health; and (3) the risks and liabilities for institutions that participate in federal aid programs. Part 2 suggests strategies for effective leadership including a strong recommendation that presidents, trustees, and others: first, ensure that institutional financial aid policies and practices are in keeping with the overall institutional mission and policies and are not in violation of federal or state strictures; second, ensure that the integrity and quality of the financial aid program is a top priority through the application of the highest quality standards and sound policies and procedures; and, third, become effective advocates for student financial aid inside and outside the institution. (JB)

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ED 381 086

A REPORT TO THE LEADERS OF AMERICA'S COLLEGES AND UNIVERSITIES

Meeting the Challenge Of Student Financial Aid

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Task Force on Institutional Leadership
National Association of Student Financial Aid Administrators

OPENING DOORS OF EDUCATIONAL OPPORTUNITY

N·A·S·F·A·A

March 1995

Dear Colleague:

Student financial aid is a matter of urgent concern to students and to institutions large and small. In recent years, a combination of rising costs and decreasing federal and state aid has resulted in narrowed educational opportunities for students and growing financial burdens for institutions, threatening to reverse the remarkable success of aid programs in lowering barriers to postsecondary education. Strong leadership is required to preserve and strengthen the role of financial aid in furthering the educational enterprise.

The NASFAA Task Force on Institutional Leadership was formed in response to issues raised during the July 1993 NASFAA annual meeting. The task force was charged with addressing these concerns and others with institutional leaders, as well as with recommending strategies for enhancing institutional leadership in financial aid. This document is a product of the thoughts and experiences of a diverse group of college presidents, aid administrators, and other institutional and association representatives. It highlights the importance of financial aid to your institution and suggests strategies for providing effective leadership.

Colleges, universities, and schools face serious challenges in defining and evaluating their financial aid programs. Communication, education, and leadership are essential to the future of student financial aid. We hope that this document proves useful to you and that you will share with us your strategies for meeting the challenge of student financial aid.

Sincerely,

John T. Casteen, III
President
University of Virginia

Rhonda D. Norsetter
Special Assistant to the Chancellor
University of Wisconsin-Madison

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"The education of people is a national investment.
It is our responsibility
to do whatever needs to be done to make
this opportunity available to all and
to make it of the highest possible quality."

— John F. Kennedy

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Meeting the Challenge Of Student Financial Aid

Task Force on Institutional Leadership
National Association of Student Financial Aid Administrators

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Executive Summary

One of the greatest challenges facing postsecondary education leaders today is coping with the increasing changes and complexities of the student financial aid system. Yet few people fully understand these changes and the impact on institutions.

Rising tuitions and costs, decreasing federal and state financial aid, increasing federal and state regulations, and an uncertain economy have combined in recent times to threaten the very nature and purpose of the financial aid system.

The changes taking place today have resulted in narrowing educational opportunities, growing financial burdens for institutions, and increasing costs for families. For many college-bound students and their parents, footing the bill is a much greater hurdle than getting in. For low and middle income students, the ability of student aid programs to enable access to postsecondary education is increasingly threatened. For some colleges and universities, student financial aid is the fastest growing expense item.

Convinced that these changes pose unprecedented challenges to many people, including college and university presidents, the National Association of Student Financial Aid Administrators (NASFAA) formed a Task Force on Institutional Leadership in July 1993. Its charge was to assess the impact of shifts taking place in student financial aid and to recommend strategies to institutional leaders for addressing and dealing with them.

The task force, made up of college presidents, financial aid administrators, and other institutional and association representatives, met on three occasions between November 1993 and November 1994. In addition, the task force sponsored discussion roundtables with financial aid administrators at the NASFAA annual conferences in 1993 and 1994.

Above all, the task force members came away from their deliberations convinced that student financial aid is a matter of urgent concern to institutions, policy makers, and to the nation, and that colleges and universities face serious challenges in this area. In issuing this report, the task force is initiating a long-term

dialogue designed to promote better understanding of the role, impact, and importance of financial aid. The task force believes that effective communication, education, and leadership in this area is vital not only to the future of student financial aid, but also to the health and vitality of each and every institution: two-year, four-year, public, private, and proprietary. We invite presidents, trustees, and other institutional leaders to join with the financial aid community in this dialogue.

This report is organized in three sections:

The Changes

The first section offers presidents, trustees, and other institutional leaders an overview of the momentous changes that have taken place in the student financial aid system during the past twenty-five years. Many of these changes represent cumulative effects of policies over time; others were triggered by the Higher Education Act Reauthorization of 1992.

Part I. The Challenge to Leaders of America's Colleges, Universities, and Schools

The second section describes three serious challenges that face us as a result of the changing world of financial aid:

- Equity: Implications of changes in student financial aid on access and diversity in higher education;
- Financial impact: Implications for the institution's financial health; and
- Risks and liabilities: Implications for institutions that participate in federal aid programs.

Part II. Strategies for Effective Leadership in Financial Aid

Strategies and actions that institutional leaders can take to meet the challenges of student financial aid are presented in this third section. The task force strongly recommends that presidents, trustees, and others with institution-wide responsibilities take the following initial steps:

- Ensure that institutional financial aid policies and practices are in keeping with the overall institutional mission and policies and are not in violation of federal or state strictures;

- Make integrity and quality of the financial aid program a top priority through the application of the highest quality standards and sound policies and procedures; and

- Become effective advocates for student financial aid inside and outside the institution.

The Changes

The student financial aid system has evolved into a complex and heavily-regulated system that presents multiple challenges to institutional leaders. The chart on the following two pages provides an overview of this evolution and thus a context for the remainder of the report. The context is both long-term and historical, immediate and situational.

1970

- Total postsecondary enrollment reaches 8.6 million
- Average tuition reaches $2,000 at private universities, $300 at public 4-year colleges, and $200 at community colleges
- Median family income is $9,867
- $4.5 billion awarded in student aid, 73% of it in federal funds
- 54% of federal funds awarded as grants, including Social Security and veterans' benefits
- Loans comprise 78% of generally available (Title IV) federal aid
- Payments to lenders on defaulted student loans are $7 million
- Institutions award $965 million in aid

1975

- Veterans' benefits peak at $4 billion

1977

- Loans comprise 37% of generally available (Title IV) federal aid

1978

- President Carter signs Middle Income Student Assistance Act, expanding eligibility for Pell Grants and extending eligibility for Guaranteed Student Loans to all students regardless of income

1980

- Total postsecondary enrollment reaches 12.1 million
- Average tuition reaches $4,300 at private universities, $700 at public 4-year colleges, and $400 at community colleges
- Median family income is $20,023
- $17.3 billion awarded in student aid, 83% of it in federal funds
- 47% of federal funds awarded as grants, including Social Security and veterans' benefits
- Loans comprise 65% of generally available (Title IV) federal aid
- Payments to lenders on defaulted student loans are $240 million
- Institutions award $2.1 billion in aid

1981

- Guaranteed Student Loan eligibility restrictions reinstated

1982

- Phase-out of Social Security student benefits begins
- Text of the Higher Education Act of 1965 (as amended) is 204 pages long

1984

- Last year Social Security student benefits available

1985

- Payments to lenders on defaulted student loans reach $1 billion

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1990

- Total postsecondary enrollment reaches 13.8 million
- Average tuition reaches $11,400 at private universities, $1,700 at public 4-year colleges, and $800 at community colleges
- Median family income is $35,353
- $28.8 billion awarded in student aid, 74% of it in federal funds
- 31% of federal funds awarded as grants, including military and veterans' benefits
- Loans comprise 69% of generally available (Title IV) federal aid
- Payments to lenders on defaulted student loans are $2.7 billion
- Institutions award $5.8 billion in aid

1991

- Payments to lenders on defaulted student loans are $3.6 billion

1992

- Higher Education Act amendments authorize Unsubsidized Stafford Loans and State Postsecondary Review Entities (SPREs)
- Payments to lenders on defaulted student loans are $2.9 billion

1993

- Total postsecondary enrollment estimated to reach 15 million
- Average tuition reaches $13,800 at private universities, $2,400 at public 4-year colleges, and $1,100 at community colleges
- Median family income exceeds $37,000
- $41.9 billion awarded in student aid, 75% of it in federal funds
- 26% of federal funds awarded as grants, including military and veterans' benefits
- Loans comprise 76% of generally available (Title IV) federal aid
- New borrowers in the Federal Stafford Program expected to increase by 20-30% due to availability of unsubsidized loans
- Institutions award $8.1 billion in aid
- Text of the Higher Education Act of 1965 (as amended) is 527 pages long
- Title IV regulations include more than 7,000 sections

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Part I. The Challenge to Leaders of America's Colleges, Universities, And Schools

Equity

Is financial aid still the primary vehicle for equal access to higher education? Do college and university leaders understand the implications of financial aid policies for student access and choice?

A Perspective

"Financial aid alone, even with unlimited resources, cannot overcome the statistical linkage of socio-economic class and educational attainment. But, it is clear that absent financial aid, even the able and motivated, not to mention the average kid, will be unlikely to break out of the vicious trap of poverty. Yet, financial aid with appropriate admission criteria, sensitive academic assistance, and a supportive collegiate culture can make dreams come true and bring us closer to that noble goal of truly equal access to higher education."

-D. Bruce Johnstone, University Professor, State University of New York at Buffalo and former Chancellor, State University of New York, speaking at the 1994 annual conference of the National Association of Student Financial Aid Administrators

For decades, financial aid has been an effective tool for making postsecondary education accessible to all those who aspire to it and have the ability to participate. By awarding aid on the basis of need, the system was relatively straightforward: economically disadvantaged students received federal grants, low-interest loans, and/or subsidized work-study that enabled them to enroll.

Federal and state financial aid programs grew rapidly through the 1970s, and peaked in the mid-1980s. College and university enrollments grew rapidly in part as a result of these programs, and the numbers of low-income and minority students enrolling also rose dramatically.

Today, access and choice are seriously threatened by a number of trends and events, all of which seem to be colliding at the door of the financial aid office.

Impact on Institutions

Shift from Grants to Loans—Over the last decade, students and their families have increasingly relied on loans to pay for college. In FY 84, about 63 percent of federal student aid was in the form of loans, at $13.1 billion constant dollars. By FY 93, the amount of loan-based aid had risen to an estimated 72 percent at $22.2 billion constant dollars. Federal student loan program disbursements increased by 69 percent from FY 84 to FY 93 while federal grant programs grew by 19 percent in the same period.

The shift from grant to loan has altered the environment in which decisions about college attendance are made. Some schools practice "differential" aid packaging, wherein students with such characteristics as high grades, high test scores, and other achievements are given more grant and less loan money than students who do not possess those characteristics. The result: Those most at risk of leaving college for economic or academic reasons end up with larger loans and more part-time work. Even at institutions that provide more grants for the neediest students—and many do—high costs often force low-income students to undertake significant loan burdens. Debt is a factor in limiting college choice, and is also increasingly important in a student's selection of a career upon graduation.

Federal Support—The transition in Congress as a result of the November 1994 elections has brought us to the beginning of yet another period of potential change in financial aid programs. Lawmakers on both sides of the aisle, as well as the Administration, are looking at ways to reduce the deficit and balance the budget. Under consideration are proposals to eliminate several campus-based aid programs and in-school interest benefits for federal loans. If campus-based programs are eliminated, a current recipient of an average Work-Study award and an average Perkins Loan could stand to loose almost $2,500 in aid. Eliminating the in-school

interest subsidy could increase by 20 percent the amount most undergraduates would repay on their student loans. None of these proposals increases access to educational opportunity.

Rising Costs, Decreasing Income—Since the early 1980s, the rising cost of higher education has outpaced increases in family income. Tuition, room, and board grab ever-larger shares of family income: At public four-year colleges these costs averaged about 14 percent of median family income in the 1980s; today they equal about 16 percent. The percentage of median family income required to cover private college costs, about 25 percent in the 1960s, had risen to 37 percent by 1991-92. During the same period, for private universities the percentage increased from 32 percent to 49 percent.

Low income students are finding it more difficult to attend college at all and all students, regardless of income, are increasingly faced with the prospect of incurring significant debt. The long-term principles of access and choice, upon which financial aid is based, have been compromised.

Increasing Institutional Commitments—Rising costs, higher loan volume, and decreasing federal support have caused some institutions to make larger commitments of scarce resources to meet student need. As financial pressures have become more severe for institutions and families, administrators have had to ration financial aid by balancing the ideals of access and choice with revenues and costs. Of course, many institutions are unable to commit funds to an institutional aid program, and may not be able to meet students' full financial need with federal and state funds.

Changing Role of Aid in Admissions—An alternative to simply losing students, and one which is by no means palatable to most institutions, has been to offer larger amounts of institutional aid to greater numbers of students, often without considering the strategic impact of these practices. Thus, among college and university administrators and in the halls of Congress, debates rage over merit- versus need-based aid, need-blind admissions, unmet need, and differential packaging. More

students and parents are trying to negotiate the composition of the aid package with aid administrators, and institutions are increasingly using aid packages to compete effectively for certain segments of the student population. Aid is no longer enabling enrollment; it is determining it. If current trends continue, the phenomenon of "buying students" could threaten the moral integrity and financial stability of some institutions.

How Does Your Institution Stack Up?

The challenge is clear: How will your institution maintain its commitment to students?

- Is your financial aid program supportive of the institution's mission and goals?
- Are institutional mission and goals clearly articulated to the financial aid administrator, and is she or he involved in their development?
- What are the institutional goals for financial aid?
- What are the goals and priorities of the financial aid office?
- What is the average education loan debt for students upon graduation from your institution, and how has it changed over time?
- What is your institution's student loan default rate? Are students more or less likely to default now compared to five years ago?
- What is the demographic profile of students who receive aid, how has it changed over time, and is it in harmony with the institutional mission?
- What proportion of total aid funds are expected self-help (loan and work components), and how has the proportion changed over time?
- Are your self-help expectations reasonable and manageable for your students?

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The Financial Impact of Financial Aid

The sheer size of aid programs—in dollars and in the number of students receiving aid—has significant financial implications for colleges and universities. Aid programs that are integrated into institutional planning and soundly managed can ensure quality and integrity in their operations.

A Perspective

The financial plight of colleges and universities has been well documented. According to the American Council on Education, fewer than four out of ten senior administrators rate the financial condition of their institutions as "excellent" or "very good." More than four out of ten institutions made across-the-board budget cuts in the last five years. Four out of ten institutions eliminated academic programs. Two thirds reorganized administrative offices. Eight out of ten instituted tighter monitoring of expenses, and budget increases of less than five percent are the norm. These trends are expected to continue.

From its beginnings in institutional scholarships, the GI Bill, and National Defense Student Loans, student financial aid has grown to billions of dollars of aid distributed to millions of students annually. In the context of overall fiscal stringency, financial aid has become an increasingly important and complex factor. The simple goal of employing financial aid to enhance access now involves a set of complex trade-offs.

Impact on Institutions

Rising Costs and Tuition—The cost of attendance at a private college, in constant dollars, increased by 26 percent from FY 84 to FY 93. Yet per-capita disposable personal income increased by only 11 percent, or less than half the rate of college costs. With the annual increase in the Consumer Price Index hovering at about three percent for the past three years, institutions find it doubly difficult to justify a dramatic increase in tuition to cover increased costs. In the early 1990s, public

institutions were able to secure tuition increases of ten percent or more, but that rate slowed to six percent last year. The rate of tuition increases at private colleges has been steadily declining from about nine percent in the late 1980s to six percent in FY 94.

Gifts and Grants Unable to Keep Pace; Endowment Earnings Off—Not only are there fewer opportunities to recover the cost of institutional aid through increased tuition and fees or public appropriations, but gifts and grants also failed to keep pace. On top of these trends, the weak and uncertain financial markets have contributed to slow endowment earnings. For those few institutions that have substantial endowments, earnings averaged 2.9 percent for 1994, according to the Council for Aid to Education, down from 13 percent the previous year.

Student Aid - A Growing Expense—The growing gap between authorized and funded levels for federal programs, years of double-digit tuition increases, and the growing reliance on loans have persuaded many colleges and universities to commit limited resources, primarily in the form of grants, to supplement federal and state programs. During the last decade, the percentage of institutional resources devoted to student aid has continued to grow, particularly in private four-year colleges. From FY 85 to FY 90, the amount of education and general (E&G) budgets allocated to scholarships and fellowships increased from 5.3 percent to 6.7 percent. During that period, among private four-year colleges, allocations for scholarships and fellowships increased from 13.8 percent to 18.3 percent. Some private colleges that were committing 25 percent of their tuition revenues to financial aid three years ago were committing more than 35 percent in 1994-95. If this trend continues, the percentage spent for instruction could be equaled or surpassed by allocations for student aid. For some private colleges, student financial aid is second only to salaries in the proportion of the budget it represents.

Student Aid - A Source of Revenue—Student aid is, however, both an expenditure *and* a source of revenue. Student financial aid from all sources totaled $41.9 billion in

FY 93; a significant proportion of that total was paid to institutions for tuition and other charges. Tuition, fees, and room and board made up 25.7 percent of institutional revenue, and about half of the nation's college students obtained some form of financial aid to meet the price of attending college.

Financial Aid - An Integral Part of Budget Planning—Clearly, the financial aid program must be an integral part of budget planning. Different types of institutions face different problems. Revenue from state governments, research programs, endowments, and auxiliary services are not available to all institutions. Though regulations govern who is eligible for federal and state aid, decisions about awarding and packaging aid, and about enhancing access and diversity, are made at the institutional level. Flexibility in packaging aid varies directly with the amount and type of institutional aid available, and it plays a critical part in achieving institutional goals. Enrollment depends on many variables: Academic reputation, cost, marketing, and location all influence a student's enrollment decision and the institution's enrollment targets. Increasingly, financial aid has become an important factor in these decisions; for all institutions, enrollment levels have budgetary implications, and for some, enrollments are the primary source of revenue.

How Does Your Institution Stack Up?

- What portion of your institution's revenue consists of financial aid from external sources?
- If institutional aid is awarded, how does your institution budget for it? What is the total annual aid budget?
- What are the sources and amounts of institutional funds used for financial aid?
- How do these funds impact the packaging of awards and student body demographics?
- How much of the education and general (E&G) budget is institutional financial aid?
- What are the economic benefits of student work for your institution?
- How have all these factors changed over time?

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The Risks and Liabilities of Financial Aid Programs

Are institutions aware of the increasing risks, obligations, and liabilities that accompany participation in federal aid programs, and of the challenges and conflicts thereby imposed on the administration of aid and the delivery of quality services to students?

A Perspective

Since the days of Title IX, institutions' acceptance of federal aid, including student assistance, has become the doorway for the federal government to enter, assess, and oversee elements of the institution. Yet, many institutional leaders are not fully aware of the risks, obligations, and liabilities that accompany participation in federal aid programs.

The most recent attempt by Congress to assert control over program integrity was the introduction of State Postsecondary Review Entities (SPREs) in the 1992 Higher Education Amendments. SPREs were created on the rationale that they will strengthen oversight of higher education through the so-called "integrity triad" of federal government, regional accrediting bodies, and state review entities. The proposed regulations for SPREs, however, reached far beyond financial aid administration, encompassing a variety of academic and other programs throughout the entire institution.

Further, presidents, by signing the Title IV Program Participation Agreement and the Application for Institutional Participation, are committing their institutions to comply with federal laws and regulations that include, for example:

- The Campus Security Act
- The Student Right-to-Know Act
- The Drug-Free Workplace Act
- A "fair and equitable" refund policy
- Administrative capability, including human resources

The Application for Institutional Participation also requires significant supporting documentation, including details about staffing and workload in the financial aid office and the disbursing office, professional qualifications of the chief financial aid administrator, and copies of the institution's audited or certified financial statement for the two most recent fiscal years. Schools that offer vocational programs are subject to additional requirements.

Impact on Institutions

Participation in Federal Title IV Programs—In recent years, federal paperwork and reporting requirements for participation in financial aid programs have grown exponentially. Rule-making at state and federal levels has continued to burgeon in recent years: "General Provisions" regulations for federal aid mandate 208 separate record keeping and reporting requirements, according to Terry Hartle of the American Council on Education. From 1982 to 1993 the Higher Education Act grew from 204 pages of law to 527 pages. Federal regulations now contain 7,000 sections pertaining to Title IV programs, according to a January 1994 study of "Federal Regulations Affecting Higher Education" published by the National Association of Independent Colleges and Universities. The number of regulations on implementation of the laws has also mushroomed. Now, new regulations and "Dear Colleague" regulatory guidance letters are issued, on average, every two days.

Failure to comply with funding source requirements invites scrutiny from public officials and the public at large; errors in reporting frequently are construed as abuses of the public trust. Even more important is the fact that the new SPRE regulations can jeopardize federal funding of a variety of programs from research to financial aid.

Service Goals—While aid administrators are monitoring federal regulations, filing required reports, and dealing with red tape, they must also try to preserve the quality of services provided to students and their parents. As financial aid becomes more complex and confusing, the role of the aid office in providing accurate, timely, and

courteous information and service to students and their parents has become increasingly critical. Unfortunately, compliance with federal regulations can run counter to the best interests of students as consumers. Aid administrators continually struggle to explain federal regulations in a way that students can understand and accept. Additional time spent on counseling and regulatory monitoring has forced some offices to add staff. While this imposes additional financial burdens on the institution, it is necessary to maintain program eligibility on the one hand, and service quality on the other.

The Aid Office—Campus financial aid administrators are increasingly on the front line dealing with powerful forces that are often beyond their control and authority. Through their day-to-day decisions and their counsel to institutional leaders on policies, issues, and trends, aid administrators work at the center of several conflicting aspects of operating an institution: controlling costs, complying with funding source requirements, and delivering services to students.

Though student financial aid brings billions of dollars to institutions, the financial aid administrator who manages this flow is seldom a member of the institution's senior staff. At some smaller institutions, aid administrators report directly to the chief executive officer. But in most collegiate institutions, as the number of aid recipients, the dollar volume of aid, and the number of staff increase, so too does the number of reporting levels between the aid director and the president.

The role of the aid administrator in shaping the institution's vision and participating in the formulation of strategies and policies at the highest levels is a critical issue for leaders to explore.

How Does Your Institution Stack Up?

Colleges and universities are faced with an increasing number of risks and obligations as a result of their participation in federal aid programs. A clear understanding of these risks and obligations is an important safeguard for institutional integrity.

- Do you receive an annual report from the financial aid office? Does it contain the information you need to assess program integrity and make sound policy decisions?
- How many students does the aid office serve, and are those students and their families satisfied with the timeliness and quality of the service they receive?
- Is the financial aid office adequately staffed and does it have the resources it needs? Are there professional development opportunities that would enhance staff productivity and service orientation?
- How do you assess your institution's financial aid program needs, and what procedures do you use to evaluate the efficiency and effectiveness of your financial aid operation?
- What is the role of the aid administrator in policy-making at the highest levels of the institution?

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Part II. Strategies for Effective Leadership in Financial Aid

Make Sure Your Financial Aid Policies Support Your Institutional Goals

Sound financial aid policy must consider the institution's educational mission, its revenue sources, and its expenditure patterns. As institutional resources—human, financial, and material—are stretched thin, strategic planning and resource allocations become critical to achieving short- and long-term goals.

There are several steps institutional leaders can take to ensure that the financial aid program is advancing the goals of the institution without harming quality of service or program integrity. The consistency between institutional goals and the goals of the financial aid program can be evaluated by looking at a number of measures. These include the level of commitment of internal resources, the composition of aid packages, levels of students' unmet financial need, and the extent of the commitment to need-based aid. Institutional leaders need to explore several key issues in defining financial aid policies and determining their effectiveness. They include the following:

- **Understand the impact of committing institutional funds.** Not all colleges and universities are able to contribute internal resources to financial aid. For some, the law prohibits it; for others, the revenue stream is not sufficient. For those that can make the commitment, the questions are how much and to whom? Capacity and competition inform these decisions. Because institutions alone control the use of these resources, they can take a large step toward meeting institutional commitments if they choose wisely.

- **Evaluate the impact of financial aid packages on your students' decisions to enroll or to persist.** The financial aid program is of

increasing importance in students' enrollment decisions. More and more, the ability of financially-needy students to persist to the completion of their academic programs depends on continued availability of student aid and on the composition of the aid package. Careful analyses of enrollment decision surveys, exit interviews, and surveys of returning and non-returning students can provide information about the weight students place on various factors when enrolling in or leaving school. The impact of award composition and amount, timeliness of the award process, availability of necessary information, and service quality can be measured in relation to enrollment and persistence.

A great deal of institutional data is available through the financial aid office. Senior administrators should engage in regular reviews of selected data with aid administrators and related administrative units when formulating important policy decisions.

- **Measure your institution's commitment to access goals.** One way of measuring your commitment to access is to look at enrollment and persistence rates across family income groups. Successful aid programs have income enrollment profiles that meet institutional goals. Generally, an even enrollment rate across income groups reflects successful "need-blind" admissions and aid policies. Peaks or valleys in the profile suggest where resources should be directed or prompt further investigation into enrollment and continuation decisions made by students of certain income groups.

- **Evaluate the impact of relying on loans to help students finance their educations.** Studies of cumulative debt at the time of graduation and analysis of patterns in the institutional default rate can help address this issue. Institutions that rely heavily on loans in relation to peer institutions may be at a disadvantage in competing for students. Estimated debt at the time of graduation affects students' institutional

choice, career choice, and institutions' ability to meet enrollment targets and future alumni giving goals.

Although loans offer necessary and viable alternatives for financing the cost of college, presidents should advocate packaging policies that address the needs of low-income students and impose manageable debt burdens on their graduates.

Establish and Support Goals and Measures that Ensure High-Quality Financial Aid Operations

The complexity, size, and importance of financial aid today demand accurate operations. Complying with federal regulations requires institutions to take a tough stance on assessing the quality and protecting the integrity of their financial aid programs.

The use of sound criteria for measuring the quality and integrity of their financial aid programs should be a high priority for all institutions. There are several steps institutional leaders can take to ensure that program and service goals are met, and that the institution is in compliance with federal and other laws and regulations.

Establish Overall Goals for Assessing the Aid Program

To ensure the overall quality of the financial aid program, institutions should:

- Affirm that financial aid program goals are realistic and that they complement institutional goals.
- Create or update the financial aid office's mission statement.
- Provide adequate resources to promote compliance with the rules and regulations established by funding sources to prevent financial liability for non-compliance.
- Establish criteria to measure the achievement of program and service goals and responsiveness to errors.

- Promote informed, understandable discussion of financial aid within the institution as a component of institutional policy.

Establish Service Goals for Students

Measuring the quality of services for students who seek financial aid is more difficult, but it is a critical component of effective and successful aid programs. The more smoothly services are delivered, the greater the satisfaction of student customers. Financial aid service goals should include the following:

- Provide comprehensive, easily understood information that offers direction and guidance to the recipient.
- Create an inviting atmosphere for office visitors.
- Interact with students, faculty, and others in an accommodating manner.
- Establish deadlines that are realistic and communicate them to the appropriate parties.
- Deliver services, including student award notification and disbursement of aid funds, on schedule.
- Inform students of schedules and deadlines in time for them to plan for financing their education.
- Conduct a service assessment survey.
- Produce routine and special reports that are informative, easily understood, and satisfy the recipients' information needs.
- Investigate the possible efficiencies of increased utilization of technology in the financial aid office, including automation of certain aid office functions.
- Ensure that working relationships among the financial aid administrator, bursar, registrar, admissions officers, loan collectors, orientation staff, computer staff, housing officers, and related administrators are seamless to students.

Make Compliance with Federal Program Rules And Regulations a High Priority

College and university presidents and trustees need assurance that the institution is meeting the administrative requirements set by student aid funding sources outside the institution. Some suggestions for program assessment include the following:

- Utilize the NASFAA *Institutional Guide for Financial Aid Self-Evaluation* to assist development of efficient management techniques for complex financial aid operations. Although use of the *Guide* is not currently a requirement for federal programs, the U.S. Department of Education recommends it as a reference.
- Use persons who are familiar with financial aid operations to conduct regular internal and external audits. These audits are required for all federal Title IV programs. The Higher Education Amendments of 1992 require that colleges and universities participating in federal student aid programs perform a non-federal financial and compliance audit annually.
- Use peer reviews conducted by senior aid administrators from other institutions to assist your own staff in evaluating current practices and procedures and setting goals for progress.
- Evaluate the findings of outside financial aid audits in the context of the size of the entire financial aid program, and separate incidental from systemic problems.
- Establish goals to provide ongoing training and professional development for your financial aid staff.

Educate Your Institutional Community About Its Missions and Goals and the Role of Financial Aid in Defining and Meeting Them

Changing regulations, increased eligibility for financial aid, and scarce resources cause conflict and confusion among aid administrators and aid recipients. Communicating the importance of financial aid to both internal and external constituencies is critical. Presidents and trustees must support the policies of their financial aid offices and be effective advocates at institutional, state, and federal levels for student financial aid.

In supporting the financial aid office and becoming effective advocates for financial aid, institutional leaders and aid administrators should:

- Provide opportunities for representatives from all academic and administrative areas of the institution to discuss and help formulate institutional goals.
- Train all managers to develop mission statements and strategic goals. The financial aid office should develop a mission statement that presents its philosophy, purpose, goals, and strategies. Relationships with other campus offices and roles within enrollment management should be considered. Carefully crafted and widely disseminated, these statements and goals complement the broader objectives of the institution.
- Provide forums to make known the impact of pending federal and state developments on the institution and the financial aid office. At some institutions, financial aid administrators are *de facto* external relations persons in part because of their knowledge of aid program rules and regulations. Take advantage of the aid administrator's awareness of federal policy and its impact on higher education.
- Communicate widely the criteria by which financial aid policies are defined and evaluated. Create opportunities to highlight program successes and the positive impact these programs have on students and the broader community.
- Publish a statement of principles governing financial aid awards. This statement defines the institution's position on the purposes, objectives, and priorities for awarding financial aid.

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